



ADAPTATION FUND

Projects/programmes with Unidentified Sub-Projects (USPs): compliance with the ESP and GP

Background

The Environmental and Social Policy (ESP) requires that environmental and social risks associated with all the activities that will be undertaken by a project/programme have been identified at the time of submission of the proposal.⁵ This either assumes that all project/programme activities have been identified and formulated at that time to the extent that effective identification of all environmental and social risks is possible, or, alternatively, implies that environmental and social risk identification will be completed once all project/programme activities have been identified.

Effective environmental and social risks identification takes into account risk factors inherent to an activity as well as the specific environmental and social context in which the activity will take place. The combination of both inherent and environmental factors determines the level and nature of the risk of undesirable negative environmental and social impacts.

The ESP has no provisions for projects/programmes where comprehensive risks identification has not been possible or has not been carried out by the time the proposal is submitted. As such, this is a ground for not approving an application for project/programme funding. Part of the justification for requiring that all ESP-related risks be identified for all project/programme activities by the time of submission is to ensure that all funding requests are treated equally and fairly in terms of ESP compliance.

In some particular cases, it is acceptable that not all project/programme activities have been identified by the time of submission of the funding application. For example, projects/programmes may include activities that are critically dependent for their formulation on the outcome of other project/programme activities and that can only be fully formulated on the basis of these prior achievements. This is for instance the case for projects/programmes that include a grants facility, where applications for funding of (small) activities will be invited during implementation, within an objectives and operational framework that is clearly defined in the project/programme proposal. The establishment of the grants facility, with the required capacity building including development of rules - is a

⁵ *Adaptation Fund Operational Policies and Guidelines Annex 3: Environmental and Social Policy (approved in November 2013; revised in March 2016)*: Para 30: [...] As a general rule, the environmental and social assessment shall be completed before the project/programme proposal submission to the Adaptation Fund. Para 8: The policy requires that all projects/programmes be screened for their environmental and social impacts, that those impacts be identified, and that the proposed project/programme be categorized according to its potential environmental and social impacts. [...] all environmental and social risks shall be adequately identified and assessed by the implementing entity in an open and transparent manner with appropriate consultation; Paras 27, 32, 33.

pre-condition for the formulation of the activities it will fund. In such cases, it may be impossible to identify by the time of submission all the environmental and social risks associated with these grant activities since the nature of the activities or the specific environment in which they will take place, or both, may not be known. Such activities are then referred to as Unidentified Sub-Projects (USPs).

The present document is intended to guide IEs in the process of ensuring ESP compliance in the development of project/programme proposals that include USPs. Projects/programmes with such type of activities must include a justification as to why these activities cannot be identified prior to submission of the funding application. In all other cases, identifying project/programme activities to the extent that adequate and comprehensive ESP risks identification is possible is considered to be a part of project/programme formulation.

Furthermore, in case a project/programme includes justified USPs, the IE has to ensure that the same level of ESP-risks identification and subsequent compliance is comprehensively applied to all the USPs during implementation and to the same standards as if all risks had been identified at the time of submission.

Funding applications for projects/programmes are reviewed by the Adaptation Fund Board Secretariat in terms of compliance with the ESP among other issues. The applying implementing entity is always informed of the outcome regarding the funding application and in most cases the IE will receive (detailed) feedback on any outstanding ESP compliance issues, as well as suggestions on how to achieve and to demonstrate compliance. In most cases, the Secretariat is available to provide further guidance and recommendations to the IE on how to comply with the ESP and to reflect compliance in the funding application. In case of projects/programmes with USPs, such review and subsequent guidance are not available to the IE as the Secretariat is not involved during project/programme implementation in the identification of ESP risks and any subsequent actions. The ensuing requirements for demonstrating ESP compliance have been a challenge to most implementation partners, especially under the direct access modality where the NIE is accountable for the adverse impacts of its project/programme.

Generally, including USPs in AF projects/programmes makes it more difficult to demonstrate compliance with the ESP. Compared to projects/programmes without USPs, the funding approval of projects/programmes with USPs takes considerably longer, because of the challenge posed to IEs to meet the additional safeguard requirements to ensure comprehensive and adequate compliance with the ESP during project implementation. Whilst the same standards apply to all AF-funded projects/programmes, the burden on the IE to demonstrate ESP compliance for projects/programmes with USPs is considerably high.

Similarly, the Gender Policy applies to all the activities of a project/programme. Gender-responsive consultations, the identification of key gender goals and target groups, the formulation of gender-responsive project/programme indicators and the initial gender assessment are accordingly required but may not be adequate when not all project/programme activities have been formulated.

Formulating a project/programme with USPs – additional requirements

When the use of USPs is justified, the IE must ensure that during project/programme implementation all USPs also comply with the ESP. This implies that during implementation for each USP the environmental and social risks are identified, that impact assessments are conducted for the USPs for which risks are found, and that measures are identified and implemented to prevent, mitigate or manage the unwanted negative impacts.

The requirements for each USP in terms of ESP compliance are the same as for activities that have been fully formulated by the time of funding application submission. The project/programme proposal, therefore, has to include a detailed description of the process that will be applied during project implementation to ensure ESP compliance for the USPs. During the review of the funding application for a project/programme with USPs, such process will be reviewed for its potential and likelihood to deliver the same ESP compliance outcome as is required for fully formulated applications. Projects/programmes with USPs are therefore required to include an Environmental and Social Management Plan (ESMP).

The ESMP of a project/programme with USPs contains two main elements. For the already fully formulated activities, it describes how the unwanted environmental and social impacts that have been identified and assessed during project/programme formulation will be addressed. For the USPs, it includes the review process that will ensure that for a USP, as and when it is being formulated to the point where effective ESP risks identification is possible, such risks are identified and subsequent measures are taken according to the risks findings. Effective risks identification requires that the risks inherent to both an activity and the specific environment and social setting in which it will take place, are known.

The review process of USPs during project/programme implementation follows the same steps as are specified in the ESP for activities that are formulated prior to submission: (1) identification of environmental and social risks according to the 15 ESP principles following an evidence-based, comprehensive and commensurate process; (2) assessment of anticipated impacts for those risks that have been identified; (3) the identification of adequate measures to avoid, minimise or manage such impacts; (4) a plan to apply and implement these measures. Consultation and gender considerations are essential elements of this process.

The project/programme-wide ESMP is updated with the outcome of the safeguard activities for the USPs. For this purpose, it is recommended that the ESMP for the project/programme is written in a way suitable to be also used as a stand-alone document.

The proposal should demonstrate what the capacity requirements are and how these are met by the responsible entities and what capacity gaps may exist therein. Whilst it is a growing global trend in environmental and social safeguard mechanisms for large development funds⁶ that findings are required to be evidence- rather than opinion-based, and that safeguard efforts should be commensurate to their involved risks, there is generally little experience with these innovative aspects of the Fund's ESP, especially as it is not prescriptive.

⁶ See e.g. the new Environmental and Social Framework of the World Bank.

Depending on the number of USPs, their complexity and scale, and the sensitivity of the environments and social settings in which they will take place, the effort to comply with the ESP may be substantial and may require allocation of funds for this purpose. Such budgetary provisions should be adequate to cover the worst-case scenario as would become apparent from the ESP compliance work during project formulation. In addition to identifying ESP risks according to its 15 principles, budgetary provisions should be made for impact assessments and the identification of avoidance, mitigation or management measures as required. The annotated budget should show how the budget allocated to this purpose is adequate. Contingency provisions may be needed as well. The budget allocations should take into account, for each USP, which entity is responsible for the risks identification and any subsequent safeguards work.

It is in the interest of the IE and the executing entities to limit as much as possible the scope of the USPs that are included in a project/programme. The effort, expertise and resources required for the ESP risks identification and impact assessments for each USP can be considerably reduced by including eligibility restrictions on USPs. This can be done by limiting USPs to those located in certain areas, involving certain sections of the population, or by creating an exhaustive list of eligible activities and/or their characteristics. Similarly, during project/programme formulation common ESP compliance elements can be prepared that will reduce the effort required for each USP during implementation. This could, for instance, entail the identification or mapping of sensitive habitats or of cultural heritage or an analysis of core labour rights issues.

The grievance mechanism should be adequate to accommodate grievances from the whole range of possible USPs.

[Implementation of a project/programme with USPs](#)

According to the OPG of the Fund, it is the responsibility of the IE to ensure compliance with the relevant policies of the Fund. In the case of ESP compliance for projects/programmes that include USPs, the IE may apply its own Environmental and Social Management System (ESMS) or use a specific process to achieve comprehensive compliance with the ESP, as long as the outcome of the process meets the requirements of the ESP, in particular in terms of concepts and principles. The ESMS of an IE is never vetted as being equivalent to the ESP.

During inception, the adequacy of the implementation arrangements of the ESMP is verified by the IE and by relevant stakeholders and the arrangements may be updated or adjusted as required. Such updates and/or changes are reported to the Fund. The inception phase is also a suitable time and opportunity to identify additional eligibility criteria for USPs, which may considerably simplify and reduce the safeguard efforts required for each USP, for instance, by formulating admissibility or exclusion criteria for USPs.

During implementation, a substantial effort is likely to be required to identify the ESP risks of the USPs, which may require the involvement of specialists. This may imply that the allocation of additional specific resources is required.

The IE has the responsibility to ensure that the project/programme is executed in a way that meets ESP and GP requirements. The Executing Entities play an essential role in this process. The IE needs to assess the capacity of an EE to carry out all the aspects of ESP and GP compliance related to the activities it implements. This may include the entire process of ESP risks identification and subsequent safeguard actions for the USPs that the EE may be involved in. The IE needs to ensure that any capacity that is lacking at the EE is built or otherwise addressed.

Compliance with the relevant and applicable national regulations is a requirement under the Adaptation Fund's ESP. During formulation of a USP, these need to be identified and the subsequent requirements need to be met. Usually, this relates to national processes of environmental and social safeguarding as well as national standards or codes that may apply.

The IE is also responsible for reporting on project/programme implementation to the AF. For projects/programmes with USPs there are additional requirements compared to fully formulated projects/programmes.

Monitoring and reporting

In the case of a project/programme with USPs, the IE will need to report on a regular basis to the AF on its progress and performance in applying the ESP to the USPs and demonstrating compliance of all the project/programme activities with the ESP. For this purpose, the IE will need to update the ESMP of the project/programme with the following information for each USP it has identified during the relevant reporting period:

- a brief description of the fully formulated USP, with details on (i) the characteristics of the USP and (ii) the specific environmental and social setting in which the USP will be implemented. This information needs to be provided to an extent sufficient to appreciate the effectiveness of the risks identification that was carried out;
- the outcome of the ESP risks identification process, using the same structure as that of Section II.K (Section II.L for regional projects/programmes), identifying risks according to each of the 15 ESP principles, justifying the risk findings, and showing that this is the outcome of an evidence-based and comprehensive effort;
- for each of the identified risks, a description of the subsequent impact assessment that was undertaken and the findings thereof, showing that the assessment was commensurate with the risks identified;
- the findings of the impact assessments, and the safeguard measures that have been formulated to avoid, mitigate or manage undesirable impacts;
- the updated detailed safeguard arrangements in the implementation component of the ESMP, identifying and allocating roles and responsibilities to implementation partners for the application of the ESMP. This should include an assessment or a confirmation of the required capacity and skills with the relevant implementation partners;
- information on the consultations that were held on the risks identification and impact assessments outcome as well as on any proposed management measures, and how any feedback was responded to;
- gender-disaggregation of the information used in the risks identification and subsequent safeguards actions;

- information on disseminating information to stakeholders on the grievance mechanism.

The updated ESMP is to be attached to the annual PPR report.